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DE BEERS CONSOLIDATED MINES LIMITED

Oppenheimer

1966 Annual Report

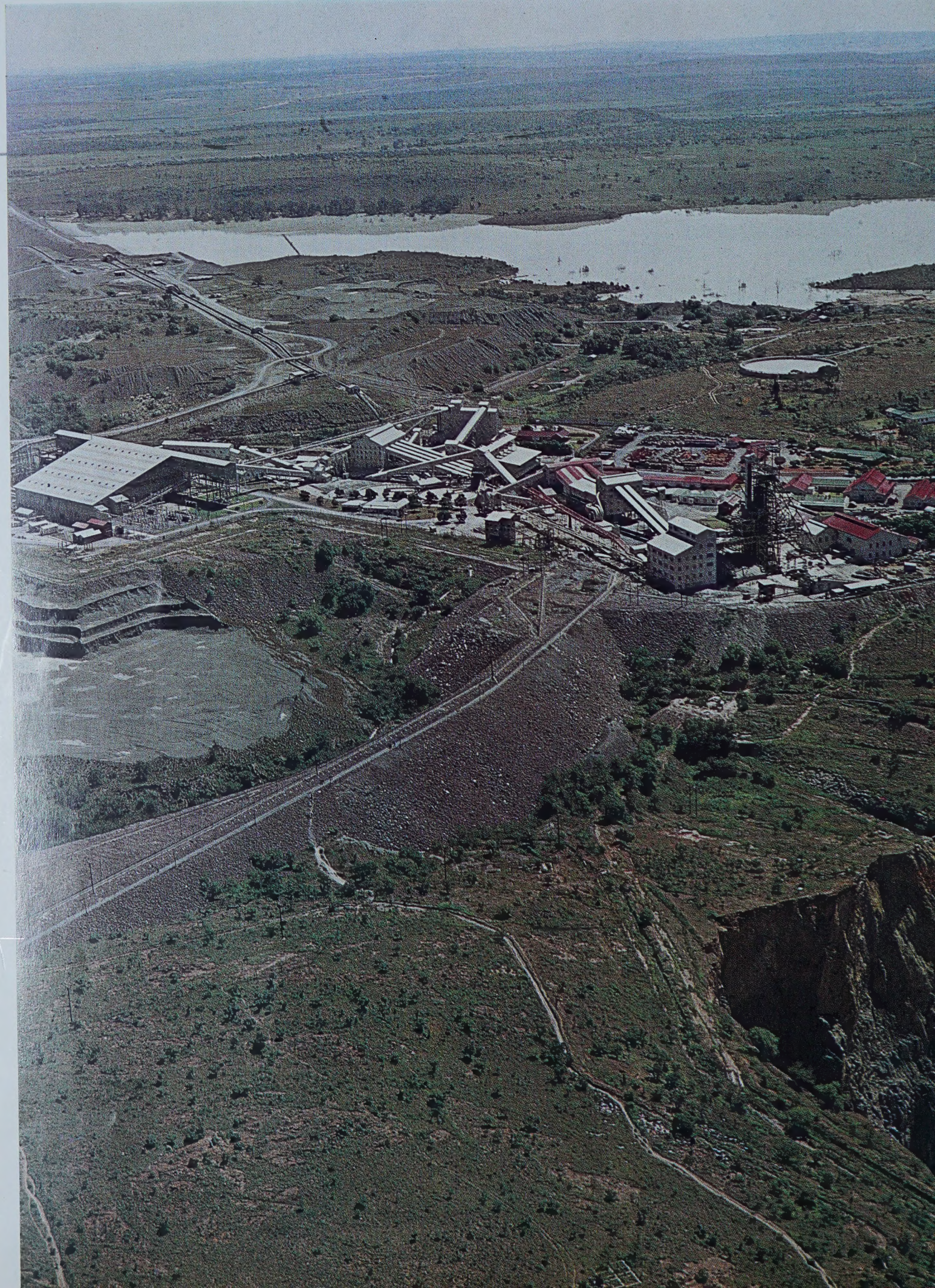
79th Annual Report

to 31st December, 1966

DE BEERS CONSOLIDATED MINES LIMITED

Incorporated in the Republic of South Africa

HEAD OFFICE
36 Stockdale Street
Kimberley, South Africa



*The Premier mine, with the tailings
retreatment plant on the right and the
slimes dam in the background*

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Notice to Members

Notice is hereby given that the seventy-ninth annual general meeting of members of De Beers Consolidated Mines Limited will be held at the head office of the company, at 36 Stockdale Street, Kimberley, on Tuesday, 13th June, 1967, at 3 p.m., for the following business:

1. To receive and consider the balance sheet and accounts and the reports of the directors and of the auditors for the year ended 31st December, 1966.
2. To elect directors in place of those retiring in accordance with the provisions of the company's articles of association.
3. To fix the remuneration of the auditors and to appoint auditors to hold office until the conclusion of the next annual general meeting.

The Johannesburg and London transfer registers and registers of members of the company will be closed from 7th to 13th June, 1967, both days inclusive.

Holders of deferred share warrants to bearer who desire to attend in person or by proxy or to vote at any general meeting of the company must comply with the regulations of the company under which share warrants to bearer are issued.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote and speak in his stead.

A proxy need not be a member of the company.

By order of the board

A. S. HALL, *Group Secretary*

18th May, 1967

36 Stockdale Street (P.O. Box 616), Kimberley

Directorate and Management

Directors

H. F. OPPENHEIMER <i>Chairman</i>	D. D. FORSYTH
SIR KEITH ACUTT, K.B.E. (British)	R. B. HAGART
E. T. S. BROWN	H. J. JOEL (British)
P. J. L. CROKAERT (Belgian)	P. J. OPPENHEIMER (British)
DR. M. H. DE KOCK	J. D. RUDD
BARON E. DE ROTHSCHILD (French)	J. OGILVIE THOMPSON
E. R. A. DE ROTHSCHILD (British)	D. A. B. WATSON
P. V. EMRYS-EVANS (British)	A. WILSON

Head Office Administration

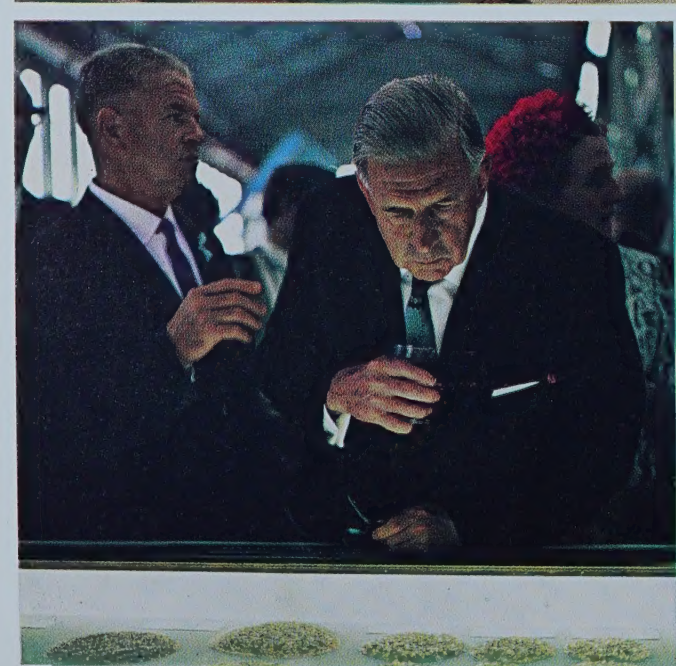
A. S. HALL *Group Secretary*
W. A. DENMAN *Assistant Secretaries*
F. M. HODGSON
W. H. FERRAR *Chief Accountant*

Technical Administration

R. DANIEL *Consulting Engineer*
DR. L. G. MURRAY *Consulting Geologist*
for Anglo American Corporation of South Africa Limited

General Managers, Group Mining Operations

W. K. B. LOFTUS, De Beers Consolidated Mines Limited
H. F. HODGSON, Premier (Transvaal) Diamond Mining Company Limited
D. BORCHERS, The Consolidated Diamond Mines of South-West Africa Limited



Dr. T. E. Donges formally opened the Finsch mine by detonating a blast on February 24, shortly before his election as the next State President. With him at the opening were Mr. H. F. Oppenheimer and Mr. A. T. Fincham, discoverer of the mine. Dr. Donges later examined some diamonds. Mr. W. K. B. Loftus, General Manager of De Beers Consolidated Mines, had earlier addressed the guests, who were then shown over the mine. On the platform with Mr. Loftus were (left to right) Mr. Oppenheimer, Mrs. Donges, Dr. Donges, Mrs. Oppenheimer, Mrs. Loftus, Mr. D. Rankin (Manager of the Finsch mine) and Miss I. Bridges

Directors' Report

The directors have pleasure in submitting their report and the audited accounts for the year ended 31st December, 1966. These accounts include a consolidated balance sheet and consolidated profit and loss account and statements of interest in the net assets and in the net loss of subsidiary companies not consolidated.

A review of these accounts and the company's own accounts follows. Figures are quoted to the nearest thousand rand.

CAPITAL

There was no change during the year in the authorised or issued capital, particulars of which are shown in the balance sheet.

CONSOLIDATED ACCOUNTS

The consolidated balance sheet reflected an overall increase in the total of fixed assets over the previous year of R20,083,000 which was primarily due to a substantial increase in shareholdings in the Marine Diamond Corporation group of companies, shown under the heading "Shares in subsidiary companies not consolidated". This arose through the conversion of loans made to these companies in the previous year, and increases in share capitals effected during the year. In addition, there was a new item "Patents at cost — R5,724,000" which, together with the long-term liability of a like amount, is referred to in the section of this report dealing with the company's own accounts.

The increase in trade investments was due to the conversion of the loan of R1,905,000 to Ultra High Pressure Units Limited into shares in that company to

the extent of R1,500,000, the balance of the loan, amounting to R405,000, being repaid in cash.

As the overall increase of R1,117,000 in stores and materials and diamonds on hand was mainly due to corresponding increases in the accounts of the holding company, this is dealt with in that section of the report. Quoted investments increased by R74,453,000 and their market value by over R191,000,000. The rise in book value was partly occasioned by the movement of R29,500,000 worth of shares in African Explosives and Chemical Industries Limited from unquoted to quoted shares as a result of their listing on the stock exchange, as well as the conversion of R4,387,000 of loans to that company by De Beers Industrial Corporation Limited into shares in African Explosives and Chemical Industries Limited. The balance of the increase in quoted investments can be almost entirely attributed to De Beers Holdings Limited having increased and widened its activities during the year, thus acquiring a further R40,566,000 of quoted and R16,379,000 of unquoted investments, the latter including investments held by the new subsidiary, Debhold (Canada) Limited, which has been formed to broaden the group's interests in Canada. For reasons which are explained in the Chairman's Statement, R31,462,000 of the additional quoted investments was invested in long-term Government stock.

Current assets showed a decrease over the previous year of R5,396,000 occasioned by the considerable increase in investments referred to above, but nevertheless exceeded current liabilities by over R119,000,000, excluding the long-term liability of R5,724,000, of which R717,000 was repaid in January, 1967.

FEATURES OF THE CONSOLIDATED ACCOUNTS

Year ended 31st December	1966 R	1965 R	1964 R
Issued capital of De Beers company	21,013,000	21,013,000	21,013,000
Capital reserves	57,405,000	43,573,000	38,472,000
Revenue reserves	291,657,000	268,901,000	249,279,000
Book value of quoted investments	172,365,000	97,912,000	92,696,000
Market value of quoted investments	366,120,000	174,844,000	157,201,000
Book value of unquoted investments	48,959,000	63,143,000	64,836,000
Net current assets	119,148,000	131,025,000	130,120,000
Profit after tax attributable to De Beers company	86,357,000	72,856,000	69,669,000
Interest in loss of subsidiary companies not consolidated	2,968,000	655,000	—
Preference dividend	1,591,000	1,591,000	1,591,000
Net earnings	81,798,000	70,610,000	68,078,000
per deferred share	240c	207c	200c
Dividends	37,478,000	34,071,000	30,663,000
per deferred share	110c	100c	90c

The group's reserves increased during the year by R36,588,000. The movements in the reserves are set out in the notes to these accounts.

The participation by outside shareholders in the preference capital of Debhold (Canada) Limited was the major factor in the increase from R58,909,000 to R78,138,000 in outside interests in subsidiary companies.

The consolidated profit and loss account has been drawn up in narrative form, and showed the net diamond account at R111,584,000 after charging R28,701,000 for mining expenditure. Corresponding figures for the previous year were R88,876,000 and R27,299,000. Net revenue from other sources showed an improved position for the year, due principally to an increase in interest and dividend income of R1,856,000 and a reduction in expenditure on prospecting and research of R1,845,000. The considerable increase in net revenue derived from diamond mining, which is subjected to a higher rate of taxation than revenue from other sources, has, without a corresponding increase in capital expenditure ranking for taxation allowances, resulted in a higher overall level of tax than was experienced in 1965. The group profit, after deducting taxation and the respective interests of minority shareholders and the Government, rose by R13,501,000 to R86,357,000. To the latter amount has been added the unappropriated balance of R18,466,000 brought forward from 1965, giving a total of R104,823,000 available for appropriation. Of this, an amount of R44,292,000 was transferred to reserves, and dividends absorbed R39,069,000 (R35,662,000 the pre-

vious year), leaving an unappropriated balance of R21,462,000 at 31st December, 1966.

COMPANY ACCOUNTS

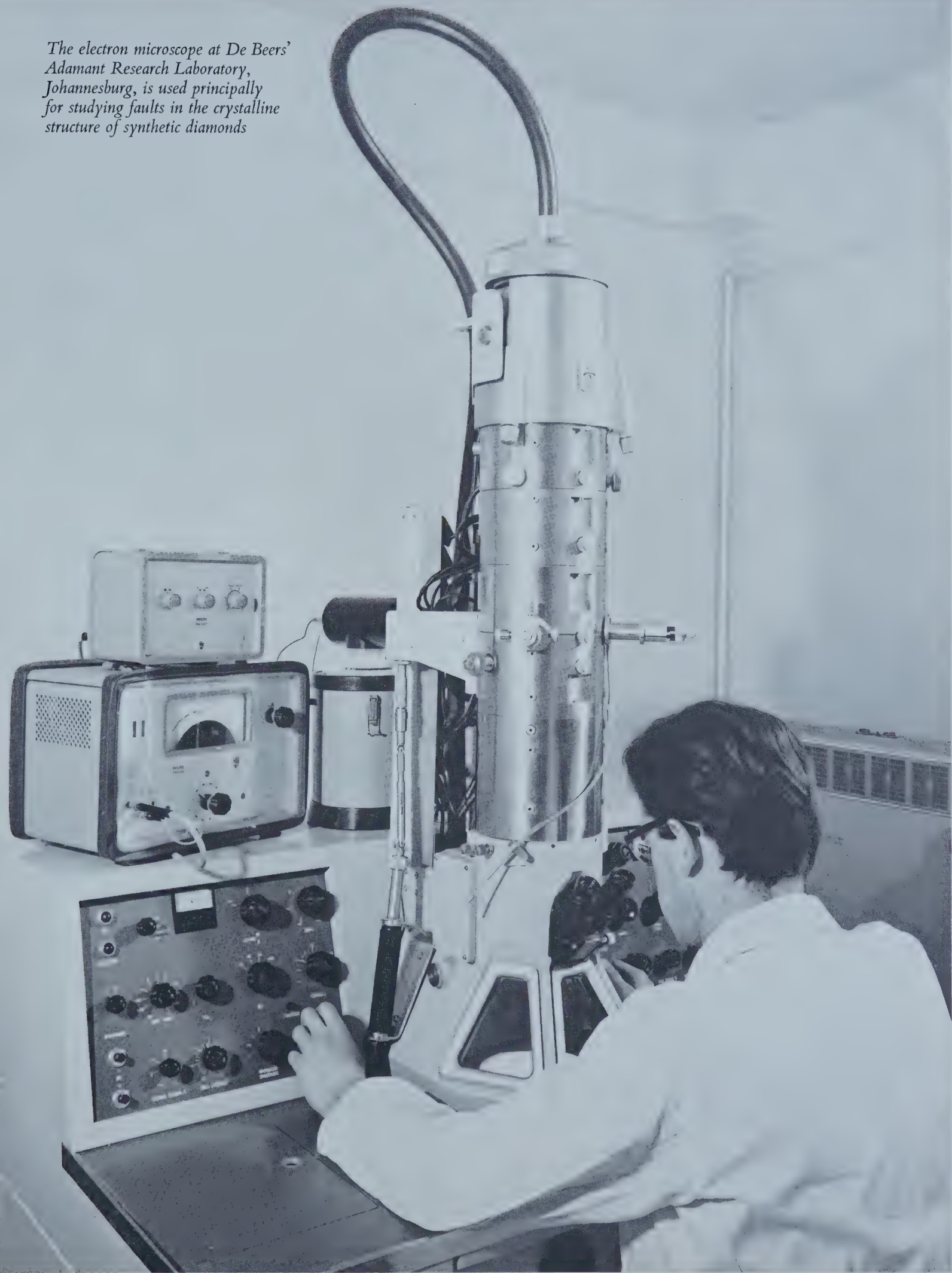
During the year, our company purchased the basic and pending patents from the General Electric Company relating to the manufacture and sale of synthetic diamonds in South Africa. This is reflected in a new item in the balance sheet under fixed assets — patents at cost, R5,724,000 — being the conversion into rand of the consideration of 8,000,000 dollars which is payable over ten years or a shorter period if our company so elects. The long-term liability is shown on the liabilities side of the balance sheet. The only other change of note under fixed assets was the liquidation of the loan of R1,905,000 by the conversion of R1,500,000 into shares in Ultra High Pressure Units Limited, the balance of R405,000 being repaid in cash.

The value of stores and materials and the cost of production of diamonds on hand showed an overall increase of R873,000 over the 1965 year-end figure. These increases flowed from the greater scope of our operations in respect of the Finsch mine and in Namaqualand.

The book value of quoted investments at R15,776,000 was unchanged from the previous year, but unquoted investments increased by R2,526,000 due to our company's participation during the year in a share issue by De Beers Holdings Limited.

Current assets at 31st December, 1966, exceeded

The electron microscope at De Beers' Adamant Research Laboratory, Johannesburg, is used principally for studying faults in the crystalline structure of synthetic diamonds



current liabilities by R17,457,000. This excess compared with R14,011,000 at the end of 1965.

The profit and loss account reflected the net diamond account at R25,003,000 after charging mining expenditure which totalled R11,124,000. The corresponding figures for the previous year were R15,850,000 and R9,140,000 respectively. Expansion of operations, particularly at the new Finsch mine and in the Namaqualand fields, with the resultant higher production, accounted for the increases in both diamond revenue and mining expenditure.

Investment and sundry income totalled R38,793,000 compared with R30,501,000 the previous year, the rise being mainly due to increased dividends from our subsidiary company, The Consolidated Diamond Mines of South-West Africa Limited, including a special dividend of 50 cents paid in May, 1966.

Prospecting, research and other expenditure totalled R3,850,000 as compared with R4,070,000 the previous year.

The net profit before tax was R59,946,000, which compared with R42,281,000 for 1965. Taxation and mining leases considerations absorbed R8,090,000 (R2,809,000 in 1965), leaving the profit after tax at R51,856,000 against R39,472,000 for 1965. After adding the unappropriated balance carried forward from 1965 of R1,641,000, the amount of R53,763,000 available for appropriation was dealt with as follows:

Reserve for capital expenditure	R8,000,000
Dividends	R39,078,000

leaving the unappropriated profit carried forward to 1967 at R6,685,000.

During the year, dividends totalling R2 per share were declared on the preference shares. On the deferred shares, an interim dividend of 40 cents per share was declared to shareholders registered on 30th September, 1966, and a final dividend of 70 cents per share was declared in March, 1967, making a total for the year of R1.10 per share compared with R1.00 for the year 1965.

STATEMENTS OF INTEREST

The accounts of the following subsidiary companies of The Consolidated Diamond Mines of South-West Africa Limited, and thus subsidiaries of our company, have not been included in the consolidated accounts as it was felt that it would be better to present their state of affairs in the form of statements of interest in their net assets and net losses:

Atlantiese Diamantkorporasie Beperk
 Benguella Beleggings (Edms.) Beperk
 Chameis Bay Holdings (Pty.) Limited
 Marine Diamond Corporation Limited
 Orama Holdings Limited
 Panther Head Investments (Pty.) Limited
 Sea Diamond Corporation Limited
 Sea and Land Exploration and Technical Services (Pty.) Limited
 Submarine Engineering (Pty.) Limited
 Suidwes-Afrika Prospekteerders (Edms.) Beperk

These statements showed that our company's interest in

the net assets of the above companies at 31st December, 1966, amounted to R11,781,000 (R9,617,000 at 31st December, 1965) and that its interest in the net loss for the past year was R2,968,000 (R655,000 from date of acquisition to 31st December, 1965).

MINING AND PROSPECTING ACTIVITIES

Technical matters are dealt with in the attached report by the consulting engineers and consulting geologists, to which your attention is directed.

INVESTMENTS AND INTERESTS IN OTHER COMPANIES

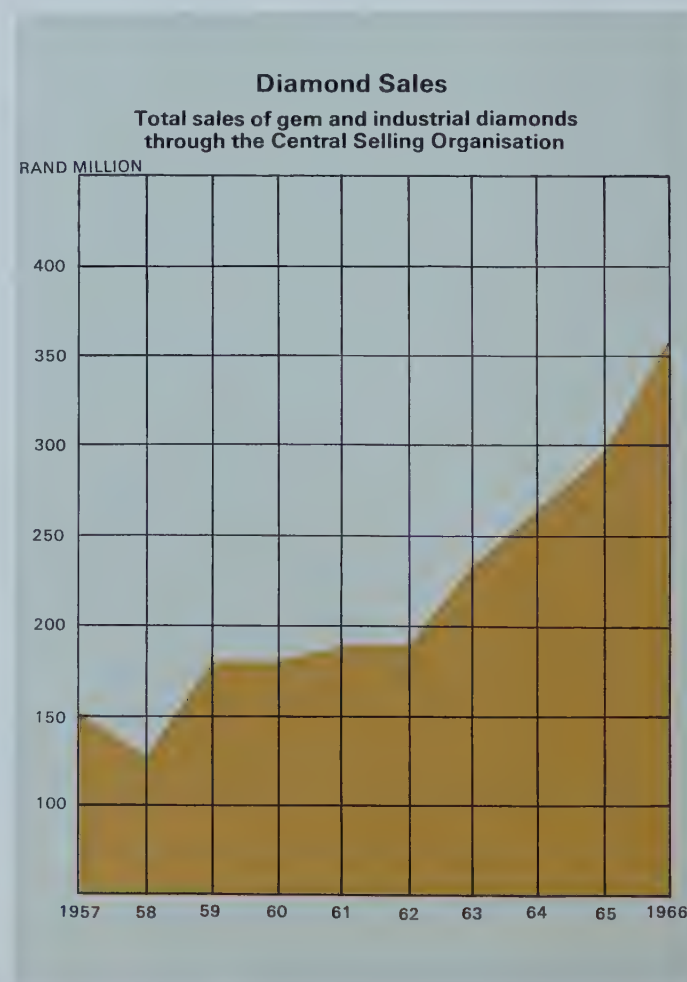
Particulars of our company's main interests in subsidiary and other companies and summaries of their activities are given in the appendices which will be found on pages 32 to 40 of this report.

THE DIAMOND PRODUCERS ASSOCIATION

The Diamond Producers Association agreement and the agreement the Association has with the selling companies, which was renewed as from 1st January, 1966, for a further period of five years, functioned satisfactorily throughout the year.

DIAMOND SALES

Sales of gem and industrial diamonds by the Central



Selling Organisation reached a record of R355,692,000 in 1966, an increase of R59,058,000 compared with 1965. This was the sixth consecutive year in which sales increased.

DIRECTORATE

Mr. J. Ogilvie Thompson was appointed a director of the company on 19th December, 1966. He retires in terms of article 82 (g) of the company's articles of association but is eligible and offers himself for re-election.

The directors to retire by rotation in terms of article 82 (c) of the company's articles of association are Baron Edmond de Rothschild and Messrs. P. J. L. Crokaert and A. Wilson, but they are eligible and offer themselves for re-election.

CHAIRMAN'S STATEMENT

A statement by the Chairman, Mr. H. F. Oppenheimer, is enclosed with this report.

Directors

H. F. OPPENHEIMER, *Chairman*

K. C. ACUTT

E. T. S. BROWN

M. H. DE KOCK

EDMOND DE ROTHSCHILD

E. R. A. DE ROTHSCHILD

P. V. EMRYS-EVANS

D. D. FORSYTH

J. D. RUDD

J. OGILVIE THOMPSON

D. A. B. WATSON

A. WILSON

4th April, 1967

Financial Statistics 1957-1966

FROM THE CONSOLIDATED ACCOUNTS

Rand thousand throughout

Year	CAPITAL AND RESERVES			INVESTMENTS			PROFITS AND DIVIDENDS ON DEFERRED SHARES			
	Issued capital R	Reserves R	Total R	Quoted		Unquoted Book cost R	Profit after tax and preference dividend		Dividends	
				Book cost R	Market value R		Amount R	Per share cents	Amount R	Per share cents
1957	12,146	176,090	188,236	49,720	57,675	47,016	39,411	241	16,335	100
1958	12,146	188,274	200,420	54,965	79,337	49,766	33,887	207	16,335	100
1959	12,496	214,019	226,515	62,360	110,442	52,227	41,215	242	21,294	125
1960	12,496	240,219	252,715	102,049	126,517	53,064	38,827	228	21,294	125
1961	12,496	236,755	249,251	79,978	104,762	42,625	42,372	249	23,849	140
1962	12,496	248,765	261,261	80,703	122,622	46,709	42,171	247	25,553	150
1963	12,496	269,281	281,777	86,498	140,232	51,901	48,337	284	25,553	150
1964	21,013*	287,751	308,764	92,696	157,201	64,836	68,078	200*	30,663*	90*
1965	21,013	312,474	333,487	97,912	174,844	63,143	70,610	207	34,071	100
1966	21,013	349,062	370,075	172,365	366,120	48,959	81,798	240	37,478	110

Reserves — Balance sheet figures for the years shown above have been adjusted to conform with the revised presentation in 1966

*After bonus issue of one deferred share for each deferred share held

Accounts

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CONSOLIDATED BALANCE SHEET

31st December, 1966

1965 R		R
	SHARE CAPITAL	
	Authorised:	
4,000,000	800,000 preference shares of R5 each	4,000,000
18,750,000	37,500,000 deferred shares of 50 cents each	18,750,000
22,750,000		22,750,000
	Issued:	
4,000,000	800,000 preference shares of R5 each, fully paid	4,000,000
22,000	Less: 4,481 preference shares held by subsidiary companies	22,000
3,978,000		3,978,000
17,035,000	34,070,552 deferred shares of 50 cents each, fully paid	17,035,000
21,013,000		21,013,000
	CAPITAL RESERVES (note 8)	
6,551,000	Net surplus arising on consolidation	6,428,000
37,022,000	Funds appropriated for expenditure on fixed diamond producing assets	50,977,000
43,573,000		57,405,000
	REVENUE RESERVES (note 8)	
240,734,000	General reserves	259,146,000
9,701,000	Reserve for capital expenditure	11,049,000
18,466,000	Unappropriated profits	21,462,000
268,901,000		291,657,000
333,487,000		370,075,000
	OUTSIDE INTERESTS IN SUBSIDIARY COMPANIES	
57,484,000	Minority shareholders' interest	76,613,000
1,425,000	Government's interest in a subsidiary company	1,525,000
58,909,000		78,138,000
—	LONG-TERM LIABILITY	5,724,000
	CURRENT LIABILITIES	
24,131,000	Tax	31,659,000
24,645,000	Dividends	24,645,000
1,564,000	Short-term loans	1,300,000
21,240,000	Creditors	20,790,000
71,580,000		78,394,000
R463,976,000		R532,331,000

A. S. HALL, *Group Secretary*
W. H. FERRAR, *Chief Accountant*
4th April, 1967

DE BEERS CONSOLIDATED MINES LIMITED
AND SUBSIDIARY COMPANIES

	R	1965 R
FIXED ASSETS (note 7)		
Diamond producing:		
Claims, mining interests, estates and farms	25,729,000	25,595,000
Plant, permanent works and buildings, at nominal value, R1	—	—
Shares in subsidiary companies not consolidated	20,728,000	6,198,000
Trade investments	11,666,000	10,166,000
Loan	—	1,905,000
	<u>58,123,000</u>	<u>43,864,000</u>
Patents at cost	5,724,000	—
Diamond trading:		
Trade investments	7,823,000	7,723,000
	<u>71,670,000</u>	<u>51,587,000</u>
LOANS AND ADVANCES TO SUBSIDIARY COMPANIES NOT CONSOLIDATED	1,368,000	9,086,000
STORES AND MATERIALS	5,283,000	4,869,000
DIAMONDS ON HAND		
Mining companies, at cost of production	5,178,000	4,520,000
Other companies, at cost	30,037,000	29,992,000
	<u>35,215,000</u>	<u>34,512,000</u>
INVESTMENTS		
Quoted	172,365,000	97,912,000
Market value R366,120,000 (1965: R174,844,000)		
Unquoted	40,412,000	51,722,000
Long-term loans	8,547,000	11,421,000
	<u>221,324,000</u>	<u>161,055,000</u>
CURRENT ASSETS		
Government and local authority securities		
Quoted	12,534,000	12,701,000
Market value R12,605,000 (1965: R12,439,000)		
Unquoted	419,000	454,000
	<u>12,953,000</u>	<u>13,155,000</u>
Fixed deposits and short-term loans	3,590,000	1,411,000
Debtors	23,428,000	21,917,000
Cash at call, at bankers and in hand	157,500,000	166,384,000
	<u>197,471,000</u>	<u>202,867,000</u>
	<u>R532,331,000</u>	<u>R463,976,000</u>

To be read with the attached statement of interest in the net assets of subsidiary companies not consolidated and with the notes on pages 22 and 23

Directors

H. F. OPPENHEIMER
A. WILSON

CONSOLIDATED PROFIT & LOSS ACCOUNT for the year 1966

DE BEERS CONSOLIDATED MINES LIMITED
AND SUBSIDIARY COMPANIES

	R	1965 R
Diamond account	111,584,000	88,876,000
Interest and dividends on investments, including dividends from trade investments		
R9,994,000 (1965: R8,453,000)	34,179,000	32,323,000
Royalties	3,967,000	3,158,000
Sundry revenue	1,090,000	709,000
Surplus on realisation of investments less amounts written off investments	—	448,000
	<u>150,820,000</u>	<u>125,514,000</u>
<i>Deduct:</i>		
Prospecting and research	4,842,000	6,687,000
General charges	4,815,000	4,021,000
Preliminary and share issue expenses	226,000	—
Loss on realisation of investments and amounts written off investments	156,000	—
	<u>10,039,000</u>	<u>10,708,000</u>
GROUP PROFIT BEFORE TAX	140,781,000	114,806,000
<i>Deduct:</i>		
Government's share of profits under mining leases	1,230,000	889,000
Provision for tax (note 11)	43,534,000	32,131,000
	<u>44,764,000</u>	<u>33,020,000</u>
GROUP PROFIT AFTER TAX	96,017,000	81,786,000
<i>Deduct:</i>		
Outside interests in subsidiary companies	9,660,000	8,930,000
	<u>9,660,000</u>	<u>8,930,000</u>
GROUP PROFIT AFTER TAX ATTRIBUTABLE TO DE BEERS CONSOLIDATED MINES LIMITED	86,357,000	72,856,000
<i>Add:</i>		
Unappropriated profit, 31st December, 1965	18,466,000	21,505,000
	<u>104,823,000</u>	<u>94,361,000</u>
AVAILABLE FOR APPROPRIATION		
Transfers to reserves:		
Capital reserves	14,316,000	6,356,000
Revenue reserves	29,976,000	33,877,000
	<u>44,292,000</u>	<u>40,233,000</u>
Dividends:		
On preference shares—R2.00 per share	1,591,000	1,591,000
On deferred shares—R1.10 per share	37,478,000	34,071,000
	<u>83,361,000</u>	<u>75,895,000</u>
	<u>83,361,000</u>	<u>75,895,000</u>
Unappropriated profit, 31st December, 1966	<u>R21,462,000</u>	<u>R18,466,000</u>

To be read with the attached statement of interest
in the net loss of subsidiary companies not consolidated
and with the notes on pages 22 and 23

PROFIT & LOSS ACCOUNT

for the year 1966

DE BEERS CONSOLIDATED MINES LIMITED

	R	1965 R
Diamond account	25,003,000	15,850,000
Interest and dividends on investments, including dividends from trade investments R6,035,000 (1965: R5,293,000)	38,721,000	30,419,000
Sundry revenue	72,000	82,000
	<u>63,796,000</u>	<u>46,351,000</u>
<i>Deduct:</i>		
Prospecting and research	2,497,000	2,785,000
General charges	1,034,000	980,000
Interest on capital of leased subsidiary companies	319,000	305,000
	<u>3,850,000</u>	<u>4,070,000</u>
PROFIT BEFORE TAX	59,946,000	42,281,000
Government's share of profits under mining leases	1,230,000	889,000
Provision for tax (note 11)	6,860,000	1,920,000
	<u>8,090,000</u>	<u>2,809,000</u>
PROFIT AFTER TAX	51,856,000	39,472,000
<i>Add:</i>		
Unappropriated profit, 31st December, 1965	1,641,000	4,485,000
Funds appropriated for expenditure on fixed diamond producing assets released	266,000	—
	<u>53,763,000</u>	<u>43,957,000</u>
AVAILABLE FOR APPROPRIATION		
Transfer to reserves:		
Capital reserve:		
Funds appropriated for expenditure on fixed diamond producing assets	—	645,000
Revenue reserve:		
Reserve for capital expenditure	8,000,000	6,000,000
	<u>8,000,000</u>	<u>6,645,000</u>
	45,763,000	37,312,000
Dividends:		
On preference shares:		
R1 per share, declared 7th June, 1966	800,000	800,000
R1 per share, declared 22nd November, 1966	800,000	800,000
On deferred shares:		
Interim, 40 cents per share, declared 14th September, 1966	13,628,000	10,221,000
Final, 70 cents per share, declared 15th March, 1967	23,850,000	23,850,000
	<u>39,078,000</u>	<u>35,671,000</u>
Unappropriated profit, 31st December, 1966	<u>R6,685,000</u>	<u>R1,641,000</u>

BALANCE SHEET

31st December, 1966

1965 R		R
	SHARE CAPITAL	
	Authorised:	
4,000,000	800,000 preference shares of R5 each	4,000,000
18,750,000	37,500,000 deferred shares of 50 cents each	18,750,000
22,750,000		22,750,000
	Issued:	
4,000,000	800,000 preference shares of R5 each, fully paid	4,000,000
17,035,000	34,070,552 deferred shares of 50 cents each, fully paid	17,035,000
21,035,000		21,035,000
	CAPITAL RESERVE (note 8)	
27,049,000	Funds appropriated for expenditure on fixed diamond producing assets	26,803,000
	REVENUE RESERVES (note 8)	
34,532,000	General reserve	34,532,000
1,277,000	Stores reserve	1,616,000
6,135,000	Reserve for capital expenditure	7,597,000
1,641,000	Unappropriated profit	6,685,000
43,585,000		50,430,000
91,669,000		98,268,000
	LONG-TERM LIABILITY	5,724,000
	CURRENT LIABILITIES	
—	Tax	1,650,000
2,957,000	Amounts due to subsidiary companies	2,621,000
24,650,000	Dividends	24,650,000
3,902,000	Creditors	5,823,000
31,509,000		34,744,000
<u>R123,178,000</u>		<u>R138,736,000</u>
	A. S. HALL, <i>Group Secretary</i>	
	W. H. FERRAR, <i>Chief Accountant</i>	
	4th April, 1967	

	R	1965 R
FIXED ASSETS (note 7)		
Diamond producing:		
Claims, mining interests, estates and farms	12,733,000	12,734,000
Plant, permanent works and buildings, at nominal value, R1	—	—
Shares in subsidiary companies	10,321,000	10,087,000
Loans to subsidiary companies	1,404,000	1,478,000
Trade investments	2,345,000	845,000
Loan	—	1,905,000
	<u>26,803,000</u>	<u>27,049,000</u>
Patents at cost	5,724,000	—
Diamond trading:		
Shares in subsidiary company	23,500,000	23,500,000
Trade investments	4,246,000	4,246,000
	<u>27,746,000</u>	<u>27,746,000</u>
	60,273,000	54,795,000
STORES AND MATERIALS	1,616,000	1,277,000
 DIAMONDS ON HAND AT COST OF PRODUCTION	 1,633,000	 1,099,000
 INVESTMENTS		
Quoted:		
Subsidiary companies	9,889,000	9,889,000
Market value R35,936,000 (1965: R46,383,000)		
Other companies	5,887,000	5,887,000
Market value R15,608,000 (1965: R11,945,000)		
	<u>15,776,000</u>	<u>15,776,000</u>
Unquoted, at cost less amounts written off:		
Subsidiary companies	5,621,000	3,095,000
Other companies	1,616,000	1,616,000
	<u>23,013,000</u>	<u>20,487,000</u>
 CURRENT ASSETS		
Quoted government and local authority securities	4,807,000	4,918,000
Market value R4,903,000 (1965: R4,958,000)		
Amounts due by subsidiary companies	19,129,000	16,587,000
Fixed deposits and short-term loans	751,000	575,000
Debtors	5,043,000	4,464,000
Cash at call, at bankers and in hand	22,471,000	18,976,000
	<u>52,201,000</u>	<u>45,520,000</u>
	<u>R138,736,000</u>	<u>R123,178,000</u>

Directors | H. F. OPPENHEIMER
A. WILSON

For notes see pages 22 and 23

STATEMENT OF INTEREST

DE BEERS CONSOLIDATED MINES LIMITED

IN THE NET ASSETS OF SUBSIDIARY COMPANIES NOT CONSOLIDATED

31st December, 1966

	R	1965 R
FIXED ASSETS		
Movable property — marine craft, aircraft, diamond recovery and other equipment at cost	5,557,000	7,925,000
Marine craft under construction at cost	2,761,000	—
	8,318,000	7,925,000
<i>Less:</i> Depreciation and amounts written off	1,791,000	1,818,000
	6,527,000	6,107,000
Concession and mining rights at cost	2,230,000	2,227,000
Land and buildings at cost	150,000	19,000
Trade investment at cost	11,000	6,000
	8,918,000	8,359,000
PROSPECTING AND PRE-PRODUCTION EXPENDITURE	2,071,000	2,071,000
SECURED LOAN	110,000	—
UNSECURED LOAN	50,000	—
CURRENT ASSETS		
Diamonds on hand at net selling price	988,000	374,000
Stores and materials	645,000	657,000
Debtors and payments in advance	112,000	494,000
Cash at call, at bankers and in hand	175,000	418,000
	1,920,000	1,943,000
	13,069,000	12,373,000
<i>Deduct:</i>		
Secured loan	—	764,000
Unsecured loans	23,000	448,000
Provision for tax	54,000	—
Creditors and accrued charges	952,000	1,111,000
	1,029,000	2,323,000
NET ASSETS OF SUBSIDIARY COMPANIES	12,040,000	10,050,000
<i>Less:</i> Interest of minority shareholders	259,000	433,000
NET ASSETS ATTRIBUTABLE TO DE BEERS CONSOLIDATED MINES LIMITED	<u>R11,781,000</u>	<u>R9,617,000</u>
Represented in the consolidated balance sheet of De Beers Consolidated Mines Limited and its subsidiary companies at 31st December, 1966, by		
Cost of shares in subsidiary companies not consolidated included under		
fixed diamond producing assets	R20,728,000	R6,198,000
<i>Less:</i> Excess cost of shares over net asset value at dates of acquisition	6,692,000	5,012,000
	14,036,000	1,186,000
Loans and advances to subsidiary companies not consolidated	1,368,000	9,086,000
	15,404,000	10,272,000
<i>Deduct:</i> Loss since dates of acquisition	3,623,000	655,000
	<u>R11,781,000</u>	<u>R9,617,000</u>

For notes see pages 22 and 23

STATEMENT OF INTEREST

DE BEERS CONSOLIDATED MINES LIMITED

IN THE NET LOSS OF SUBSIDIARY COMPANIES
NOT CONSOLIDATED
for the year 1966

	R	1965 R
Prospecting	807,000	—
Depreciation and amounts written off fixed assets	1,359,000	728,000
Loss on disposal of fixed assets	1,152,000	23,000
Interest payable	612,000	297,000
Share issue expenses	29,000	2,000
Tax	64,000	2,000
	<u>4,023,000</u>	<u>1,052,000</u>
Less: Operating profit	130,000	Loss 296,000
		<u> </u>
NET LOSS OF SUBSIDIARY COMPANIES AFTER TAX	3,893,000	1,348,000
Less: Interest of minority shareholders in loss	925,000	693,000
		<u> </u>
PROPORTION OF NET LOSS OF SUBSIDIARY COMPANIES ATTRIBUTABLE TO DE BEERS CONSOLIDATED MINES LIMITED	<u>R2,968,000</u>	<u>R655,000</u>
INTEREST IN THE NET ACCUMULATED LOSS OF SUBSIDIARY COMPANIES NOT CONSOLIDATED		
De Beers Consolidated Mines Limited's interest in the net loss of subsidiary companies not consolidated at 31st December, 1965	R655,000	—
Add: Net loss of subsidiaries as above	2,968,000	655,000
De Beers Consolidated Mines Limited's interest in the net accumulated loss of subsidiary companies not consolidated at 31st December, 1966	<u>R3,623,000</u>	<u>R655,000</u>

Notes on the Accounts

The accounts should be read in conjunction with the following notes:

1. Figures are stated to the nearest thousand rand.
2. The directors are empowered to dispose of the unissued share capital for any purpose and upon such terms and conditions as they may deem advisable. At 31st December, 1966, 3,429,448 deferred shares of 50 cents each remained unissued.
3. Preference dividends have been paid or credited by a subsidiary company to 30th April, 1948; the arrear dividends at 31st December, 1966, applicable to minority shareholders amounted to R243,000 (1965: R296,000).
4. There are contingent liabilities in respect of the company and the group on account of:
 - (a) Guarantees with others to certain diamond mining companies in respect of agreements which those companies have with a subsidiary company.
 - (b) Guarantee jointly with Imperial Chemical Industries Limited for the repayment of capital and interest of an issue of unsecured loan stock of R6,000,000 made by African Explosives and Chemical Industries Limited.
 - (c) Guarantee jointly and severally with Rand Selection Corporation Limited for the servicing and repayment of certain United States dollar loans amounting to U.S. \$15,000,000 made to Rand Selection Corporation Limited. The servicing and repayment of the loans are covered by forward exchange contracts with the South African Reserve Bank.
 - (d) Guarantees jointly and severally with Anglo American Corporation of South Africa Limited for the servicing and repayment of foreign loans to Highveld Steel and Vanadium Corporation Limited amounting to 100,000,000 Deutsche marks and 60,000,000 Swiss francs.

The servicing and repayment of the loans are covered by forward exchange contracts with the South African Reserve Bank.

- (e) Guarantee to the holders of 150,000 6% cumulative redeemable preference shares, Series A, and 100,000 6½% cumulative redeemable preference shares, Series B, all with a par value of Canadian \$100 each, issued by Debhold (Canada) Limited, for the due and punctual payment of dividends thereon, the payment of the full redemption price for such shares when called for redemption and the prompt payment of the liquidation price to the holders of such shares in the event of the liquidation, dissolution or winding up of the company.
 - (f) Guarantees to building societies and others of R141,000 (1965: R116,000) in respect of the company and R310,000 (1965: R180,000) in respect of the group.
 - (g) Guarantees by a subsidiary company of up to R1,485,000 (1965: R1,950,000) to Imperial Chemical Industries Limited.
 - (h) An uncalled balance on shares of R638,000 (1965: R638,000) in respect of the company and R867,000 (1965: R985,000) in respect of the group.
 - (i) Undrawn loan facilities of R6,907,000 (1965: R64,000) in respect of the group.
 - (j) Outstanding orders for machinery and equipment, etc., in subsidiary companies, estimated at R55,000 (1965: R261,000), and in subsidiary companies not consolidated R1,123,000 (1965: R310,000).
5. Certain shareholders in subsidiary companies have the right to purchase from The Consolidated Diamond Mines of South-West Africa Limited, at any time up to 31st December, 1967, a maximum of 3,582,231 shares in these subsidiary companies at a price of R1.10 per share. Prior agreements

give certain shareholders in one of these subsidiary companies the right to "put" to The Consolidated Diamond Mines of South-West Africa Limited, at any time up to May, 1969, a maximum of 404,846 shares in that subsidiary company at a price of R5 per share. The Consolidated Diamond Mines of South-West Africa Limited may be called on, under certain conditions, at any time up to 31st December, 1967, to purchase 3,421,250 shares in a subsidiary company for R1,075,000.

6. No account has been taken of exhaustion of ore reserves, nor has depreciation been written off fixed diamond producing assets, renewals and replacements being charged direct to mining expenditure.

7. Fixed assets, with the exception of "Plant, permanent works and buildings" and "Shares in subsidiary companies" are shown at the net amount standing in the company's books at 31st December, 1952, with additions since at cost less sales. The value for "Plant, permanent works and buildings" of R1 in the company's accounts and in the group accounts is arrived at as follows:

	1966		1965	
	Company	Group	Company	Group
Book value at 31st December, 1952	R1	R1	R1	R1
Additions since at cost less sales	35,183,000	88,567,000	28,665,000	76,908,000
	35,183,001	88,567,001	28,665,001	76,908,001
Less: Transferred from capital reserve	35,183,000	88,567,000	28,665,000	76,908,000
	R1	R1	R1	R1

The amount of R10,321,000 for "Shares in subsidiary companies" in the company's balance sheet is arrived at as follows:

	1966	1965
Net amount standing in the company's books at 31st December, 1952, with additions since at cost	R14,682,000	R14,448,000
Less: Transferred from capital reserve	4,361,000	4,361,000
	R10,321,000	R10,087,000

8. With effect from 1st January, 1966, the capital reserves have been adjusted to show the surplus arising on consolidation representing the excess of the net asset value of shares in subsidiary companies over their cost. Previously this item was shown under share premiums and net excess of cost of investments in subsidiary companies over their nominal value.

The following tabulation shows the movement in the reserves in the accounts of the company and the group for the year:

	Company	Group
Capital reserves:		
Balance 31st December, 1965	R27,049,000	R43,573,000
Add: Transferred from reserve for capital expenditure	6,538,000	10,561,000
Transferred from profit and loss account	—	14,316,000
	33,587,000	68,450,000
Less: Transferred to profit and loss account	266,000	—
Applied in writing down plant, permanent works and buildings:		
By the company	6,518,000	—
By the group	11,659,000	—
Less: Minority proportion	736,000	10,923,000
Cost of control of shares in subsidiary companies acquired during year	—	122,000
Balance 31st December, 1966	R26,803,000	R57,405,000

	Company	Group
Revenue reserves including reserve for capital expenditure:		
Balance 31st December, 1965	R41,944,000	R250,435,000
Add: Transfers from profit and loss account	8,000,000	29,976,000
Increase in stores reserve	339,000	345,000
	50,283,000	280,756,000
Less: Transfer to capital reserves	6,538,000	10,561,000
Balance 31st December, 1966	R43,745,000	R270,195,000

9. The increase in the stores reserve of R339,000 in the company's accounts and R434,000 in the group accounts, in which minority interests amount to R89,000 has been charged to mining expenditure.

10. The remuneration of directors as required to be stated in pursuance of section 90 oct of the Companies Act, 1926, as amended, inclusive of remuneration from subsidiary companies, is as follows:

	1966	1965
Aggregate amount of directors' emoluments in respect of services as directors	R171,000	R148,000
And in respect of other services	R16,000	R16,000

11. Taxation has been provided as follows:

	1966		1965	
	Company	Group	Company	Group
South African and South West African Foreign	R6,856,000	R43,230,000	R1,930,000	R31,642,000
	—	375,000	—	475,000
	6,856,000	43,605,000	1,930,000	32,117,000
Net adjustment in respect of previous year	4,000	71,000	10,000	14,000
	R6,860,000	R43,534,000	R1,920,000	R32,131,000

12. Foreign currencies have been converted as follows: Sterling and Rhodesian currencies at the rate of £1 equal to R2. Canadian currency at the rate of \$1.51 equal to R1.

Auditors' Report

To the shareholders

De Beers Consolidated Mines Limited

We have examined the books and accounts and vouchers of the company, and have satisfied ourselves of the existence of the securities. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company so far as appears from our examination of those books.

The attached balance sheet and profit and loss account are in agreement with the books of account and, in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1926, as amended, in the manner so required, and the balance sheet gives a true and fair view of the state of the company's affairs as at 31st December, 1966, and the profit and loss account gives a true and fair view of the profit for the year ended on that date.

We have also examined the annexed group accounts of the company and its subsidiaries with the audited accounts of those companies. In our opinion, such group accounts have been properly prepared in accordance with the provisions of the Companies Act, 1926, as amended, so as to give a true and fair view respectively of the state of affairs and of the profit of the company and its subsidiaries dealt with thereby, so far as concerns the members.

HOWARD PIM & HARDY *Auditors, Chartered Accountants (S.A.)*

Kimberley, 4th April, 1967

Overleaf: a helicopter moves men and materials to and from the barge "Colponton"; and two divers of the Oceanographic Research Unit examine gravels brought from the sea bottom

Technical Report

The consulting engineers and consulting geologists submit their report on operations at your company's properties during the year ended 31st December, 1966.

PROSPECTING AND SAMPLING

Geological investigation, together with reconnaissance and detailed prospecting, continued on various Namaqualand farms, with emphasis on the regions of the Buffels and Swartlontjies rivers. In the latter area, on the farm Koingnaas, the discovery of a substantial payable deposit has added a new potential mining area situated some forty-five miles south of Kleinsee. Considerable detailed sampling is still required to block-out ore reserves for mining purposes.

During the year, a prospect shaft was sunk at Voorspoed mine and sampling tunnels were driven at the 450-foot level on a grid pattern. These tunnels, which should be completed towards the second half of 1967, will provide the necessary information for an evaluation of this mine to be made.

Excavation of the low-level gravels on certain Vaal River farms and limited prospecting of the Vaal river-bed by means of a dredge have thus far not shown any deposits which could be profitably mined.

Numerous prospects in the Northern Cape and Orange Free State were investigated during the year, but none of these proved to be of economic interest.

Prospecting continued in other parts of the world, but nothing of economic interest was discovered.

OPERATIONS

DE BEERS CONSOLIDATED MINES LIMITED

At De Beers mine loads washed increased from 975,349

in 1965 to 1,460,688 last year, which brought the mine to the scheduled full production during the year. The cost per load decreased by R0.296 to R0.793. The 830-foot development to facilitate loading of rim pillar ground was completed in December, 1966. The rock development for the experimental drifts on this level was completed and drift construction through overburden is in progress. Development of the 150-foot level water tunnels was completed during December and was supplemented by the drilling of drainage holes. Production from the 960-foot level block cave built up satisfactorily and no real weight problems were experienced.

Some difficulties, due to crush conditions, were experienced in the Wesselton mine in the 1,550-foot and 1,600-foot level chambers during the year. By the year-end, however, chambering of the 1,550-foot level crush area had been completed and crush conditions on the 1,600-foot level had been temporarily alleviated. The development and sampling of the 2,500-foot level was completed during December, 1966, the average grade being 24.1 carats per 100 loads.

Production from Bultfontein mine from the 1,200-foot level block cave ceased at the end of July, 1966, due to the low values obtained, and all production was derived from the 1,900-foot level block cave. The introduction of strip mining has resulted in improved conditions on this level. Drop-down development for the 2,300-foot level block cave is on schedule and the deepening of the main shaft was completed in December, 1966. Development of the main haulage and the ventilation crosscuts is in progress.



SUMMARY OF OPERATIONS

	Loads washed		Carats recovered		Carats per 100 loads		Cost per load washed	
	1966	1965	1966	1965	1966	1965	1966 R	1965 R
DE BEERS COMPANY								
De Beers mine	1,460,688	975,349	291,735	177,696	19.97	18.22	0.793	1.089
Wesselton mine	2,101,425	2,104,285	514,924	537,951	24.50	25.65	0.755	0.775
Bultfontein mine	1,662,113	1,838,146	491,904	552,174	29.60	30.04	0.865	0.785
Dutoitspan mine	1,663,230	1,832,572	166,779	188,240	10.03	10.27	0.864	0.796
Finsch mine	2,730,596	257,318	900,500	95,217	32.98	37.00	0.687	1.061
Jagersfontein mine	1,899,692	1,942,937	78,464	69,398	4.13	3.57	0.665	0.675
Kimberley dumps	1,288,215	1,260,317	152,441	169,842	11.83	13.48	0.288	0.272
Annex Kleinsee	755,431	737,777	132,106	103,621	17.49	14.05	1.806	1.825
Dreyers Pan	361,710		61,226		16.93		1.132	
Langhoogte	104,351		30,499		29.23		1.298	
Gracesputs	50,414	25,174	16,391	4,742	32.51	18.84	0.733	0.637
Kaokoveld	14,302	9,796	276	521	1.93	5.32	4.648	6.002
Sundry finds	8,756	4,065	1,755	814	20.04	20.02	—	—
Totals & Averages	14,100,923	10,987,736	2,839,000	1,900,216	20.13	17.29	0.790	0.825
PREMIER MINE	10,545,778	10,407,674	2,500,299	2,439,345	23.71	23.44	0.61	0.56
CONSOLIDATED								
Cubic metres screened					Carats per cubic metre		Cost per cubic metre	
DIAMOND MINES	5,174,750	4,440,729	1,503,837	1,436,767	0.29	0.32	2.23	2.77
MARINE DIAMOND CORPORATION								
Foreshore	209,667	14,602	82,937	1,527	0.40	0.10	6.54	16.84
Screened cu. m. treated								
Sea	108,659	187,892	170,833	217,222	1.57	1.16	65.08	38.91
TOTAL CARATS			7,096,906	5,995,077				

Difficult conditions continued to be encountered at Dutoitspan mine in the 1,350-foot level block cave, but satisfactory results were obtained from the 1,900-foot level block cave where the call for the year was exceeded by some 40,000 loads. Drop-down development on the 2,495-foot level is proceeding satisfactorily and work on the 2,440-foot level to gain access to the auxiliary pipe is in progress. The main fan was transferred from the surface to the 1,350-foot level in September, 1966.

All washing and recovery plants in Kimberley operated to full capacity during the year and because of the additional ground from the De Beers mine, the call from the other three Kimberley mines was reduced.

The main recovery plant at Finsch mine was commissioned in February, 1966, and plant throughput was maintained at an average of 7,000 loads per day until August, when the first water supplies from the Vaal-Gamagara scheme were obtained; production was then increased and an average of 16,900 loads per day was attained by the end of the year. Stripping of the contact zone continued during the year and 1,213,281 loads were stockpiled for future treatment. Mining of country rock commenced, 321,565 loads being stripped and dumped during 1966. A total of 2,730,596 loads was washed at a cost of R0.687 per load, the average grade for the year being 32.98 carats per 100 loads. The construction of seven slimes paddocks was completed during December, 1966. Major housing construction

included the completion of the original housing programme, the commencement of a new programme of 21 houses, the extension of the African married quarters, and an outside hostel for 24 Africans.

The major proportion of the ground treated at Jagersfontein mine came from the 2,500-foot level block cave and dilution by dolerite was reduced to a minimum. The blasting of the access road to the new rock quarry was completed at mid-year and a full-depth quarry face has been established for the supply of crushed rock on contract.

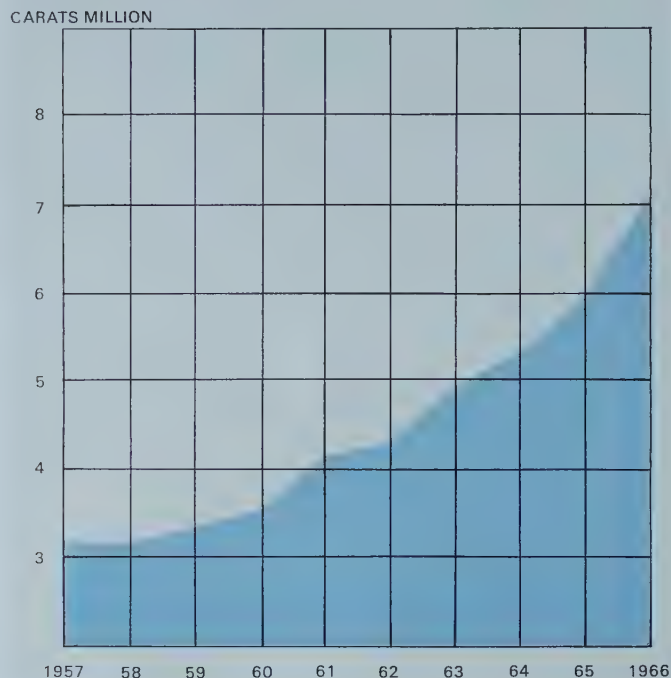
NAMAQUALAND

During the year, tests were conducted at Annex Kleinsee to determine the modifications that would be necessary for the improved treatment of the various types of ground which were being encountered. Plans were prepared for the installation of a second mill to assist in the treatment of the clay and calcrete and a heavy media cyclone circuit to operate in parallel with the existing Wedag circuit. The heavy media circuit is to treat the finer size range and reduce the load on the Wedag. It is intended to mine heavier clay deposits in the northern section of the lease area and further alterations and additions will be required to deal effectively with this material.

At Dreyers Pan the plant was commissioned in April, 1966, and the necessity for a number of modifications

Total diamond production by the De Beers Group

(Production of Marine Diamond Corporation
is included in 1964, 1965 and 1966)



became apparent as plant throughput increased. The installation of a second primary mill, which had been allowed for in the original design, is in progress and the foundations for a concentrate attrition mill were due to be laid early in 1967. This mill will reduce the volume of concentrates transferred to Kleinsee for final treatment.

Treatment at Langhoogte commenced in May, 1966, and, as shown in the operations statistics, at the end of the year 104,351 loads had been washed at an average cost of R1.298 per load. The grade for the year was 29.23 carats per 100 loads and 30,499 carats were produced.

The Langhoogte washing plant continued to treat gravels from Gracesputs until the end of April, 1966, when the supply of stockpiled material was exhausted. During the period January to April, 1966, a total of 16,391 carats was recovered.

KAOKOVELD

Loads washed during the year increased from 9,796 to 14,302, but the average yield at 1.93 carats per 100 loads for 1966 showed a sharp decrease compared with 1965.

THE CONSOLIDATED DIAMOND MINES OF SOUTH-WEST AFRICA LIMITED

As reflected in the statistical figures under "Summary of Operations", mining operations continued satisfactorily throughout the year. Total costs decreased slightly in 1966, and this and the additional tonnage produced contributed to the lower unit cost per cubic metre. The planning of the crushing project to release diamonds

locked in the conglomerate commenced during the year and numerous tests are being carried out.

Mining operations on the foreshore are being conducted by this company on behalf of the Marine Diamond Corporation.

PREMIER (TRANSVAAL) DIAMOND MINING COMPANY LIMITED

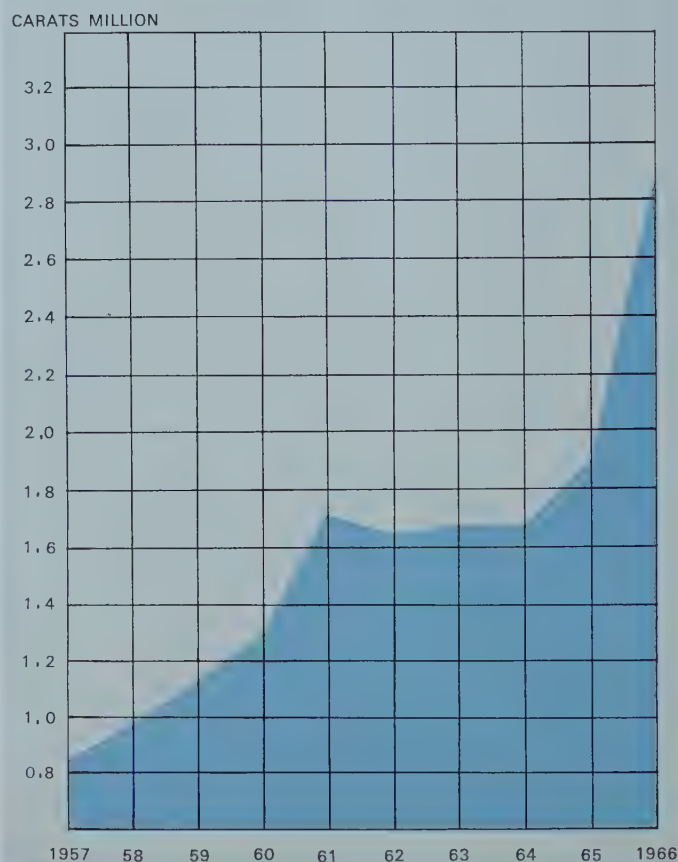
An abnormal rainfall of 20 inches in three months had an adverse effect on production from underground, and loads hoisted decreased from 7,576,672 in 1965 to 7,401,338 in 1966. The grade from underground, however, improved by 0.59 to 27.75 carats per 100 loads, contributing to an increase of 60,954 carats in diamond recovery.

Treatment of ore from the mine declined by 22,590 loads compared with 1965, while tailings re-treatment increased by 160,694 loads. All sections of the main treatment, re-crush and old tailings re-treatment plants operated satisfactorily during the year, treating an average of 616,293, 261,209 and 261,891 loads per month respectively.

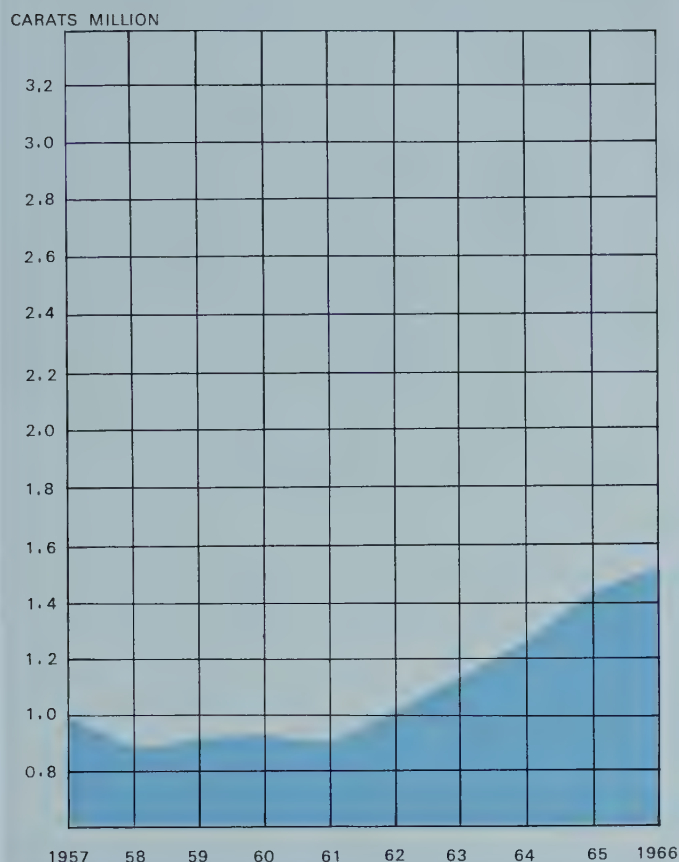
MARINE DIAMOND CORPORATION LIMITED

Beach probing with air-jet probes was carried out in the areas where no values had been proved by Benoto drilling. The object of the probing was to locate depressions which could subsequently be sampled by the Benoto drills. These drills, which commenced operating in October, 1965, continued with the prospecting

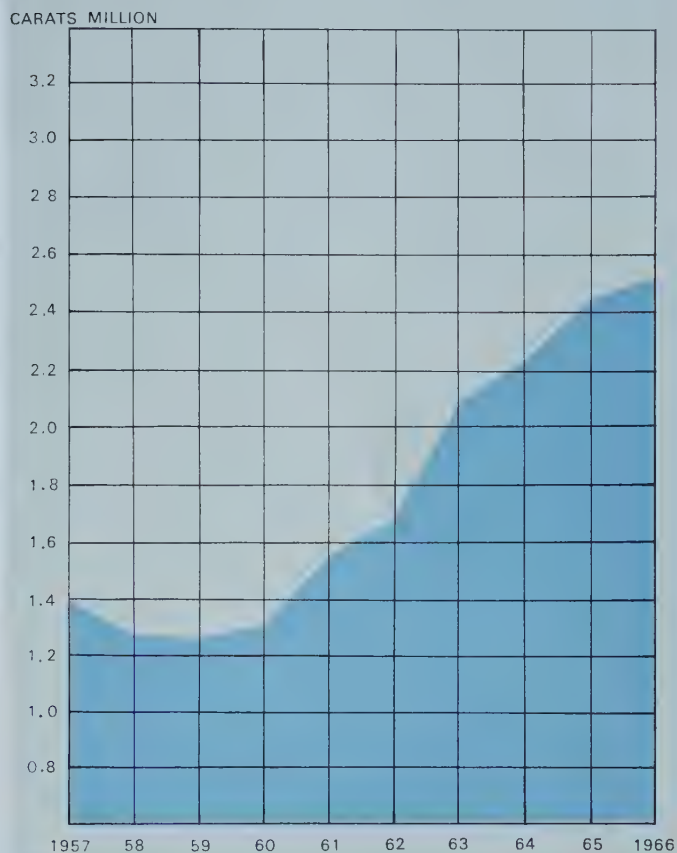
De Beers Consolidated Mines



The Consolidated Diamond Mines of South-West Africa



Premier (Transvaal) Diamond Mining Company



programme and at the end of the year 891 holes had been completed.

In the sea area, the M.V. "Rockeater" spent six weeks sampling in Hottentot Bay followed by a short period in the Mittag area before she returned to Chameis bay to continue with the sampling programme. The fuel and cable barge, "177", was equipped with recovery plant and mining equipment for the purpose of carrying out tests under operating conditions at sea. A number of tests of equipment for use on the new barge "Pomona" were successfully completed.

Mining on the foreshore was mainly confined to the upper half of the beach and efforts are being made to develop methods of working the lower half down to the low water mark.

The mining vessel "Diamantkus" was withdrawn from service on 6th June, 1966, and scrapped after much of her equipment had been removed for use on the new barge "Pomona". Two mining units, the barge "III" and the "Colpontoon", remained in operation and production, which had decreased after the withdrawal of the "Diamantkus", was further adversely affected by the removal in November of the "Colpontoon" to Cape Town for major overhaul and strengthening of the hull.

Technical problems connected with a pioneering undertaking of this nature have to be overcome before the operations can become economic.

LABOUR

Labour employed in mining operations at the above properties was as follows:

	Europeans		Non-Europeans	
	1966	1965	1966	1965
Kimberley, Jagersfontein and				
Finsch Mine	1,294	1,243	3,822	3,556
Namaqualand	113	103	662	522
The Consolidated Diamond				
Mines	931	887	4,551	4,101
Premier (Tvl.) Diamond				
Mining Company.. .. .	707	705	3,240	3,178
Marine Diamond Corporation	429	457	402	428
	<u>3,474</u>	<u>3,395</u>	<u>12,677</u>	<u>11,785</u>

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

Per: R. DANIEL, Consulting Engineer

Per: L. G. MURRAY, Consulting Geologist

An electric smelting furnace under construction for the Highveld Steel and Vanadium Corporation near Witbank. Pedestals for a pre-reduction kiln are in the background.



The De Beers Group

32	Summary of Activities and Interests
37	Diamond Producing Companies
39	Diamond Trading Companies
39	Investment Companies

Summary of Activities and Interests

The principal activities and interests of the De Beers Group are:

- the production of natural and synthetic diamonds
- the centralised marketing of diamonds produced by the Group and by other producers
- its diversified investments outside the diamond industry and trade.

PRODUCTION

The mining operations of the Group are conducted by De Beers Consolidated Mines Limited and its subsidiaries, the Consolidated Diamond Mines of South-West Africa Limited and the Premier (Transvaal) Diamond Mining Company Limited. In Kimberley, where De Beers Consolidated Mines was registered on 13th March, 1888, to acquire and amalgamate the De Beers and Kimberley mines, the company operates the Bultfontein, Wesselton, Dutoitspan and De Beers mines. The De Beers mine, which was closed in 1908, was brought back into production in 1963; the Kimberley mine (the "Big Hole") was closed in 1914 and is unlikely to be reopened. The Bultfontein and Dutoitspan mines are not directly owned by De Beers; they are operated under lease from subsidiary companies. North-west of Kimberley, still in the Cape Province, is the Finsch mine, a large producer with a long life; it was brought into full production at the end of 1966.

In the Orange Free State De Beers operates the Jagersfontein mine under lease from a subsidiary, and owns the Koffiefontein and Voorspoed mines, which are being re-examined to determine whether they can be profitably reopened in present conditions. On the Namaqualand coast De Beers has long owned a large number of farms which it has recently been authorised to prospect. Deposits that are proved to be economic are being opened up by alluvial

mining, in addition to the alluvial operations over the farm Annex Kleinzee.

The two diamond-mining subsidiary companies, the Premier (Transvaal) Diamond Mining Company and The Consolidated Diamond Mines of South-West Africa (C.D.M.), have recently completed major expansion schemes. The Premier mine, near Pretoria, is by far the largest producer of diamonds—principally of industrial quality—in Southern Africa, and C.D.M. is the richest source of gem diamonds in the world. Marine Diamond Corporation Limited, a subsidiary of C.D.M., recovers diamonds from the sea bed off the South-West African coast and along the adjacent fore-shore.

Synthetic industrial diamond grit is manufactured near Johannesburg by another Group company, Ultra High Pressure Units Limited, and also at Shannon by Ultra High Pressure Units (Ireland) Limited.

PROSPECTING

The Group spends several million rand each year in its search for new diamond deposits, mainly in African countries but also as far afield as Australia and Canada. At present it is actively exploring certain parts of Central Africa, and is investigating large areas of South Africa, particularly the Northern Cape and Namaqualand. This geological work is directed by Anglo American Corporation of South Africa Limited, consulting engineers and geologists to De Beers.

RESEARCH

In 1947 De Beers founded in Johannesburg the Diamond Research Laboratory, which is still the only institute in the world devoted entirely to fundamental and applied diamond

GROUP DIAMOND MINES



research. Its main functions are to investigate the scientific and technical problems of industrial diamonds; to promote the more efficient use of industrial diamonds and to develop new applications; to assist the mining industry, particularly in the field of diamond recovery; and to sponsor and assist the diamond research undertaken by certain universities overseas. Two of the laboratory's recent achievements in applied research are the development of a metal-coated diamond grit which is far superior to uncoated grit for resin-bonded grinding wheels, and a chemical conditioning process that has greatly increased the recovery of diamonds from the grease tables at the Finsch mine.

Another laboratory in the research centre, the Adamant Research Laboratory, was founded in 1957 to develop a process for the synthesis of industrial diamond grit. This led in 1962 to the opening of a third research unit, the High Pressure Materials Laboratory, to explore the Adamant laboratory's high-pressure and high-temperature techniques of diamond manufacture, and to develop the equipment that it had used.

MARKETING

The policy of De Beers, as leader of the diamond industry, is to maintain a high degree of price stability for diamonds at all times. For most of the post-war years the problem has been to maintain price stability, not in the pre-war conditions of low demand and burdensome stocks, but in face of a growing demand and minimum stocks. To try to satisfy that demand world production of diamonds has been steadily increased, the output of the De Beers Group alone having more than doubled in the past 10 years.

Though the trend of demand is upwards, setbacks are experienced from time to time, affecting sales in general or sales of particular qualities of diamonds. For this reason the companies of the Central Selling Organisation have large financial resources so that they can maintain their purchases from producers when demand declines, and hold the excess production in stock. When demand improves those stocks are offered to the market, thereby restraining any upward pressure on prices.

The Diamond Corporation Limited, a subsidiary of De Beers, enters into long-term contracts with producers outside the Republic for the purchase of their production. These contracts assure the producers of an equitable share of the market whatever the state of demand; and at a time of recession their effect is to maintain production at a higher level than would otherwise be possible, for they provide for producers a minimum quota of sales at guaranteed prices.

Diamonds from South and South West Africa are sold to the Central Selling Organisation through the Diamond Producers' Association, which represents the Government of the Republic, the Administrator of South West Africa, the Diamond Corporation, the De Beers company's mines, and Premier and C.D.M. With the diamonds that associated companies buy on the open markets in Africa and elsewhere, the Central Selling Organisation is responsible for marketing about 80 per cent in value of world production.

In discussing its price stabilisation operations the Chairman of De Beers, Mr. H. F. Oppenheimer, has said:

"A degree of control is necessary for the well-being of the

industry, not because production is excessive or demand is falling, but simply because wide fluctuations in prices which have, rightly or wrongly, been accepted as normal in the case of most raw materials, would be destructive of public confidence in the case of a pure luxury such as gem diamonds of which large stocks are held in the form of jewellery by the general public.

"Whether this measure of control amounts to a monopoly I would not know, but if it does it is certainly a monopoly of a most unusual kind. There is no one concerned with diamonds, whether as producer, dealer, cutter, jeweller or customer, who does not benefit from it. It protects not only the shareholder in the big diamond companies, but also the miners they employ and the communities that are dependent on their operations. The well-being of tens of thousands of individual diamond diggers of all races is dependent on its maintenance . . .

"We are very conscious of our responsibilities not only to our shareholders, not only to the industry as a whole and to the consuming public, but also to the governments of the countries in which we operate."

De Beers has long accepted a responsibility, on behalf of the diamond industry and trade, to sustain and enhance the desire for diamond jewellery, which in the advanced industrial countries is increasingly in competition with other luxury goods. Starting in the United States in 1939, De Beers advertising programmes have in recent years been extended to the United Kingdom, Germany and France, and this year to Sweden, Italy and Japan. The advertising for each country is supported by information services for the press and public and promotional services for the jewellery trade.

Development of the market for industrial diamonds is stimulated by advertising and by the work of the diamond research laboratory and the technical information and advisory centres which have been established in London, Munich and Paris, in association with the Group's marketing offices. These offices also initiate national and international conferences to discuss and demonstrate advances in industrial diamond technology and the development of new applications.

NON-DIAMOND INVESTMENTS

Since its formation by Cecil Rhodes, De Beers has participated in mining and industrial developments over a broad field, in order to diversify the company's interests and strengthen the resources available to the diamond industry and trade. The total value of the non-diamond investments and net current assets of the Group had grown to R528 million by the end of 1966. The non-diamond investments are mainly held through De Beers Holdings Limited, De Beers Industrial Corporation Limited and Rand Selection Corporation Limited.

De Beers holds directly and indirectly more than 40 per cent of the capital of Rand Selection Corporation, which has the right to participate in all Anglo American Corporation's new business. In addition to diamonds, Rand Selection has a large interest in the mining of gold, copper, platinum, coal and other minerals, and in a number of industrial and finance companies. Through subsidiaries and Rand Selection, De

PRINCIPAL INTERESTS OF THE DE BEERS GROUP

DE BEERS CONSOLIDATED MINES

MARKETING COMPANIES

DIAMOND PRODUCERS

INVESTMENT COMPANIES



De Beers has an interest in Highveld Steel and Vanadium Corporation Limited, which is establishing an integrated steel and vanadium plant at Witbank, Transvaal. De Beers also participated with Anglo American Corporation and the Federale Mynbou/General Mining Group in the formation of Mainstraat Beleggings (1965) (Eiendoms) Beperk, a holding company specialising in steel and heavy industry.

De Beers Holdings Limited has a wide spread of investments in mining, industrial and finance companies. It recently formed a subsidiary, Dehold (Canada) Limited, which has acquired interests in several Canadian mining companies through its substantial shareholding in Anglo American Corporation, Canada, Limited.

De Beers has been associated with the explosive industry from the turn of the century, when its works at Somerset West supplied explosives to the diamond and gold mines. The

amalgamation of this interest with similar interests of Nobel industries in 1924 led to the formation of African Explosives and Chemical Industries Limited, in which De Beers Industrial Corporation Limited holds about 42 per cent of the capital. African Explosives is now the largest manufacturer of explosives in the world and a leading producer of fertilisers, industrial chemicals and plastics. Another investment of De Beers Industrial Corporation is in Boart and Hard Metal Products (S.A.) Limited, a large and growing international company with interests in 21 countries. Boart and Hard Metals manufactures diamond drill crowns and diamond and tungsten-carbide tools, and undertakes deep-drilling, shaftsinking and tunnelling contracts in many parts of the world.

Further details of the interests and investments of the De Beers Group are given in the following pages.

COMPANY	CAPITAL			DE BEERS COMPANY'S INTEREST			
	Class	Nominal value per share	Number of shares issued	Number of shares held	Book value of shares	Direct interest per cent	Loans
DIAMOND PRODUCING					R		R
<i>Subsidiaries</i>							
Adamant Laboratories	Ordinary	R2	1,000	1,000	2,000	100	—
	Loan	—	—	—	—	—	882,000
Consolidated Company, Bultfontein mine	Ordinary	R2	721,500	423,281	881,000	58.67	—
The Consolidated Diamond Mines of South-West Africa	Ordinary	R1	5,500,000	5,375,178	6,393,000	97.73	—
Griqualand West Diamond Mining Company, Dutoitspan mine	Ordinary	R20	105,700	74,832	769,000	70.80	—
H.L.G. Limited	Ordinary	50c	16,000	16,000	180,000	100	—
	Loan	—	—	—	—	—	522,000
The New Jagersfontein Mining and Exploration Company	Ordinary	R2	850,000	570,186	500,000	67.08	—
Premier (Transvaal) Diamond Mining Company	Cum. pref.	50c	160,000	148,999	1,517,000	93.12	—
	Deferred	25c	320,000	314,871	79,000	98.39	—
Total					10,321,000		1,404,000
<i>Trade investments</i>							
Ultra High Pressure Units	Ordinary	R2	2,000,000	1,000,000	2,000,000	50	—
Ultra High Pressure Units (Ireland)	Ordinary	R2	345,000	172,500	345,000	50	—
Total					2,345,000		—
TOTAL					R12,666,000		R1,404,000
DIAMOND TRADING							Direct and indirect interest per cent
<i>Subsidiary</i>							80.04
The Diamond Corporation	Ordinary	R2	22,000,000	11,750,000	23,500,000	53.41	
<i>Trade investments</i>		B. fr.					
Comptoire Diamantaire Anversois	Ordinary	1,000	90,000	3,750	42,000	4.17	7.50
The Diamond Purchasing and Trading Company	Ordinary	R2	2,500,000	952,500	2,638,000	38.10	45.33
The Diamond Trading Company	Ordinary	R2	1,000,000	405,000	1,282,000	40.50	48.32
Industrial Distributors (1946)	Ordinary	50c	2,500,000	568,000	284,000	22.72	26.89
TOTAL					R27,746,000		
INVESTMENTS							
<i>Subsidiaries, quoted</i>							
The Consolidated Diamond Mines of South-West Africa	7½% cum. pref.	R1	4,480,000	1,565,061	1,844,000	34.93	35.99
De Beers Industrial Corporation	Ordinary	R2	11,000,000	3,957,873	8,044,000	35.98	56.10
<i>Other, quoted</i>							
Rand Selection Corporation	Ordinary	50c	34,035,365	1,591,905	5,887,000	4.68	41.17
<i>Subsidiary, unquoted</i>							
De Beers Holdings	Ordinary	R2	20,500,000	1,255,055	5,621,000	6.12	89.47
<i>Other, unquoted</i>							
The Discount House of South Africa	Ordinary	R2	1,000,000	217,500	435,000	21.75	21.75
Union Acceptances	Ordinary	R2	2,975,000	359,780	819,000	12.09	12.09
Other investments	—	—	—	—	363,000	—	—
TOTAL					R23,013,000		

DIAMOND PRODUCING COMPANIES

THE CONSOLIDATED DIAMOND MINES OF SOUTH-WEST AFRICA LIMITED

Operates the open-cast workings along the southern portion of the coast of South West Africa.

Issued capital: R9,980,000 in 4,480,000 $7\frac{1}{2}$ per cent cumulative preference shares of R1 each, and 5,500,000 ordinary shares of R1 each.

Total share capital and reserves (consolidated): R180,880,000

	1966	1965
	R thousand	
Book cost of unquoted investments ..	59,635	40,600
Book cost of quoted investments	9,220	9,220
Market value of quoted investments	24,465	18,729
Consolidated profit before tax	79,850	64,069
Tax	30,982	24,666
Consolidated profit after tax attributable to the company	48,868	39,403
Dividends:		
Preference	335	335
Ordinary:		
Amount paid	23,375	16,500
Per share	425c	300c

Through its subsidiaries, Orama Holdings Limited and Sea Diamond Corporation Limited, the company controls Marine Diamond Corporation Limited and its subsidiaries. The accounts of these companies have not been included in the consolidated accounts but have been presented in the form of statements of interest in their net assets and net losses (see pages 20 and 21).

At 31st December, 1966, the principal investments of The Consolidated Diamond Mines were:

	Percentage held
<i>Subsidiary companies:</i>	
Marine Diamond Corporation Limited	23.33
Orama Holdings Limited	84.67
Sea Diamond Corporation Limited	52.94
Submarine Engineering (Proprietary) Limited ..	100.00
The South-West Finance Corporation Limited ..	100.00

Other:

De Beers Holdings Limited
Industrial Distributors (1946) Limited
Rand Selection Corporation Limited
The Diamond Corporation Limited
The Diamond Purchasing and Trading Company Limited
The Diamond Trading Company Limited

ORAMA HOLDINGS LIMITED

Holds 58 per cent, amounting to 5,977,945 shares of R1 each, of the issued equity capital of Marine Diamond Corporation.

Issued capital: R6,691,427 in 840,000 $7\frac{1}{2}$ per cent cumulative redeemable preference shares of R1 each and 5,851,427 ordinary shares of R1 each.

SEA DIAMOND CORPORATION LIMITED

Holds 12.89 per cent, amounting to 1,328,432 shares of R1 each, of the issued equity capital of Marine Diamond Corporation. It has the right up to 31st December, 1967, to purchase from The Consolidated Diamond Mines 1,660,540 ordinary shares in Marine Diamond Corporation which, if fully exercised, would restore its interest to 29 per cent.

Issued capital: R1,431,500 in 14,315,000 shares of 10 cents each.

MARINE DIAMOND CORPORATION LIMITED

Has concessions for recovery of diamonds from the sea bed off the coast of South West Africa and the adjacent foreshore between Luderitz and the Orange River mouth. Towards the end of last year, the capital of the corporation was increased by the issue of preference and ordinary shares to provide for the conversion of its short-term loans, thus reducing the burden of interest payments.

Issued capital: R17,306,800 in 7,000,000 $7\frac{1}{2}$ per cent cumulative redeemable preference shares of R1 each and 10,306,800 ordinary shares of R1 each.

Subsidiary companies:

Atlantiese Diamantkorporasie Beperk
Benguella Beleggings (Eiendoms) Beperk
Chameis Bay Holdings (Proprietary) Limited
Panther Head Investments (Proprietary) Limited
Suidwes-Afrika Prospekterders (Eiendoms) Beperk
Sea and Land Exploration and Technical Services (Proprietary) Limited

PREMIER (TRANSVAAL) DIAMOND MINING COMPANY LIMITED

Operates the Premier mine near Pretoria in the Transvaal.

Issued capital: R160,000 in 160,000 preference shares of 50 cents each and 320,000 deferred shares of 25 cents each.

Total share capital and reserves: R3,336,000.

	1966	1965
	R thousand	
Profit divisible as follows:		
60 per cent to government	1,397	701
40 per cent to shareholders	932	467
Tax	461	77
Preference dividends*	800†	

*Fixed dividend of 250 per cent per annum.

†Arrear preference dividends for the period 1st May, 1944 to 30th April, 1948.

ULTRA HIGH PRESSURE UNITS LIMITED

Issued capital: R4,000,000 in 2,000,000 shares of R2 each.

ULTRA HIGH PRESSURE UNITS (IRELAND) LIMITED

Issued capital: R690,000 in 345,000 shares of R2 each.

Manufacture synthetic diamonds in South Africa and Ireland. De Beers has purchased the basic and pending patents from General Electric Company relating to the manufacture and sale of synthetic diamonds in South Africa. It has also been granted non-exclusive licences to make, use and sell synthetic diamonds under General Electric's existing and pending

A casing-puller lifting a section of lining for a prospecting hole five feet in diameter, drilled with a large augur in Namaqualand



patents in the United Kingdom and countries of Western Europe. It is intended that De Beers will license the above two companies under these agreements.

CONSOLIDATED COMPANY, BULTFONTEIN MINE LIMITED

Issued capital: R1,443,000 in 721,500 shares of R2 each.

GRIQUALAND WEST DIAMOND MINING COMPANY, DUTOITSPAN MINE LIMITED

Issued capital: R2,114,000 in 105,700 shares of R20 each.

THE NEW JAGERSFONTEIN MINING AND EXPLORATION COMPANY LIMITED

Issued capital: R1,700,000 in 850,000 shares of R2 each.

These companies lease the Bultfontein, Dutoitspan and Jagersfontein mines respectively to De Beers in consideration for lease payments which, less expenses, are distributed by way of dividends. For the year 1966, dividends per share were 12, 57 and 10 cents respectively.

DIAMOND TRADING COMPANIES

THE DIAMOND CORPORATION LIMITED AND SUBSIDIARIES

The corporation contracts with various producers who are not members of the Diamond Producers Association for the purchase of their productions. Considerable cash reserves are held to facilitate the holding of larger stocks of diamonds when the market is weak, thereby stabilising the trade. In addition, the corporation holds important investments outside the diamond industry through De Beers Holdings Limited and Rand Selection Corporation Limited.

Issued capital: R44,000,000 in 22,000,000 shares of R2 each.

Total share capital and reserves (consolidated): R171,172,000

		1966	1965
		R thousand	
Book cost of unquoted investments	..	43,604	24,010
Book cost of quoted investments	45,000	45,000
Market value of quoted investments	119,586	91,520
Dividend per share	40c	40c

THE DIAMOND PURCHASING AND TRADING COMPANY LIMITED

Issued capital: R5,000,000 in 2,500,000 shares of R2 each.

THE DIAMOND TRADING COMPANY LIMITED

Issued capital: R2,000,000 in 1,000,000 shares of R2 each.

These companies and their subsidiaries are concerned with the marketing of gem and near-gem diamonds. Their net current assets, held partly in diamond stocks and partly in cash, totalled R32,617,000 at 31st December, 1966.

INDUSTRIAL DISTRIBUTORS (1946) LIMITED

Issued capital: R1,500,000 in 500,000 5 per cent cumulative participating preference shares of 50 cents each and 2,500,000 ordinary shares of 50 cents each.

INDUSTRIAL DISTRIBUTORS (SALES) LIMITED

A wholly owned subsidiary of Industrial Distributors (1946) Limited.

Issued capital: R200,000 in 100,000 shares of R2 each.

These two companies are concerned with the marketing of the two types of industrial diamonds, commonly known as boart and drilling, which are being used increasingly in industry for a variety of purposes.

INVESTMENT COMPANIES

DE BEERS HOLDINGS LIMITED

Holds investments in mining, industrial and financial companies, and finances, to a large extent, the Group's prospecting campaigns outside South Africa. It recently formed a new subsidiary, Debhold (Canada) Limited, which has acquired indirect interests in several Canadian mining and prospecting ventures through its substantial shareholding in Anglo American Corporation, Canada, Limited.

Issued capital: R41,000,000 in 20,500,000 shares of R2 each.

Total share capital and reserves (consolidated): R113,824,000.

At 31st December, 1966, the company's principal investments were:

Subsidiary companies:

Debhold (Canada) Limited

De Beers Rhodesia Investments Limited

Finsch Diamonds (Proprietary) Limited

Other:

Anglo American Corporation of South Africa Limited

De Beers Industrial Corporation Limited

Highveld Steel and Vanadium Corporation Limited

Johannesburg Consolidated Investment Company Limited

Rand Selection Corporation Limited

Western Deep Levels Limited

DE BEERS INDUSTRIAL CORPORATION LIMITED

An industrial finance and investment company, whose main interest is a 42.5 per cent holding in African Explosives and Chemical Industries Limited, which manufactures explosives, fertilizers, industrial chemicals and paints. The ordinary shares of African Explosives and Chemical Industries were listed on the Johannesburg Stock Exchange in 1966.

Issued capital: R24,000,000 in 1,000,000 5½ per cent cumulative preference shares of R2 each and 11,000,000 ordinary shares of R2 each.

Total share capital and reserves: R41,829,000.

		1966	1965
		R thousand	
Book cost of unquoted investments	..	4,973	32,566
Book cost of quoted investments	34,847	959
Market value of quoted investments	103,577	1,405
Profit before tax	4,863	4,900
Tax	110	141
Profit after tax	4,753	4,759
Dividends:			
Preference	110	110
Ordinary:			
Amount paid	4,125	4,125
Per share	37½c	37½c

At 31st December, 1966, the company's principal investments were:

African Explosives and Chemical Industries Limited
Boart and Hard Metal Products (S.A.) Limited
Highveld Steel and Vanadium Corporation Limited
Kimberley Engineering Works Limited
Mainstraat Beleggings (1965) (Eiendoms) Beperk
Northern Lime Company Limited
South African Nylon Spinners (Proprietary) Limited
Vierfontein Colliery Limited

RAND SELECTION CORPORATION LIMITED

Financial and investment company with shareholdings in copper and other base metal, diamond, gold, platinum, coal, industrial and finance companies. *Year ends 30th September.*

Issued capital: R17,018,000 in 34,035,365 shares of 50 cents each.

Total share capital and reserves (consolidated): R157,730,000.

Loan capital:	R thousand
5½ per cent registered notes 1963/72	1,536
Guaranteed unsecured registered debentures (U.S. dollar loans R3,589,000 repayable 14/6/68, R17,850,000 repayable 14/6/71)	21,439
	<u>R22,975</u>

	1966	1965
	R thousand	
Book cost of unquoted investments ..	18,059	15,549
Book cost of quoted investments	149,594	149,978
Market value of quoted investments ..	374,822	317,761
Consolidated profit before tax	17,770	19,100
Tax	31	15
Consolidated profit after tax and deduction of minority interests	17,640	18,981
Dividends:		
Amount paid	12,763	11,912
Per share	37½c	35c

The investments of the company and its subsidiaries were spread as follows:

	*Market value at 30/9/66	
	R thousand	Percent
Finance	108,759	27.68
Diamonds	45,451	11.57
Investment—gold mining	56,441	14.36
Gold mines	106,775	27.18
Platinum	12,253	3.12
Copper and other base metals	15,877	4.04
Coal	12,735	3.24
Industrial	33,785	8.60
Land and estate	805	0.21
	<u>R392,881</u>	<u>100.00</u>

*Unquoted investments taken at book cost.

Une édition abrégée de ce rapport en français
peut être obtenue auprès de
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Changes of address should be notified
to the company's transfer registrars:

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